

July 8, 2009

Dear Senate Finance Committee,

I am writing to you on behalf of the 632 employees who work at the International Paper Eastover Paper Mill in Eastover, South Carolina, about a tax credit for using a liquid alternative fuel to produce energy and International Paper's eligibility because of our record of sustainable, renewable and self-sufficient energy use.

We at International Paper are very proud that we are one of the leading producers and users of renewable biomass energy in the nation. We, like others in the forest products industry, have a long history of producing green energy to power our mills, but it was only recently that we have been recognized and encouraged by the federal government for this responsible practice. In 2007, Congress expanded existing legislation to provide a tax credit for companies that use alternative fuel mixtures to produce energy to operate their businesses. In our case, a by-product of the kraft pulp manufacturing process is lignin, which is the material that holds wood fiber together. This material becomes black liquor and is burned in our recovery boilers to produce more than 70 percent of the energy used in our U.S. mills. While we add a minimal amount of diesel fuel to the black liquor to qualify for the credit, we have not increased our use of fossil fuels overall because the diesel replaces other fossil fuels, such as oil and coal, that would have been used in our other boilers.

As a result of the provision, industries that use alternative fuels - including forest products and other industries such as fish processing - are eligible for the tax credit. In January 2009, after environmental review, International Paper was notified that its registration as an alternative fuel mixer was approved by the Internal Revenue Service. We qualify for the alternative fuel mixtures tax credit because we utilize a highly efficient manufacturing process that is one of the most environmentally beneficial and responsible energy-use practices by any energy-intensive industry. The statute is scheduled to expire on December 31, 2009.

I recently learned that the U.S. Senate may take action to single out the forest products industry by prematurely terminating our ability to claim the alternative fuel mixture tax credit. We do not believe it is fair or reasonable to exclude the forest products industry from claiming the tax credit as we have complied with all necessary regulations for eligibility. Congress should allow the tax provision to remain in place throughout 2009 in the interest of fairness to the forest products industry. As the Senate Finance Committee evaluates public policies in this area, we strongly believe the renewable power generated by our industry deserves equal treatment and consideration with other environmentally beneficial energy sources. On behalf of the employees of the International Paper Eastover Paper Mill I urge you to keep the tax credit in place through the end of 2009. We look forward to being part of a larger conversation around renewable energy credits later this year with a goal of creating a technology and industry-neutral system of credits that treat existing renewable energy on par with new sources.

Thank you for your consideration and please feel free to contact me with any questions.

Sincerely,

Harvey Westervelt
Mill Manager
International Paper
Eastover Mill